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Seedco Policy Center
cultivating ideas that work



The Limits of Social Enterprise

A Field Study & Case Analysis

INTRODUCTION

Over the past 15 years, there has been a noticeable rise in nonprofits attempting to reinvent themselves in the image of for-profit businesses. Inspired by the creativity and enterprising spirit of the dot-com era in the early 1990s, nonprofits began to turn by the score to the business world for answers, sparking a movement toward what became known as social enterprise.

In many respects, the social enterprise revolution has been a great success: It has fostered an emphasis among nonprofits on achieving measurable results for clients; it has encouraged sound financial planning and fiscal responsibility. It has made many organizations more dynamic, more innovative, more efficient, and more effective.

But the field has been prone to extremes.

In a zest to take social enterprise to the limit, some have emphasized starting businesses as vehicles by which to both earn money to support mission-driven work and as new tools with which to address social problems, and even as magic bullets with which to achieve both aims at once.

This report embraces the broad notion of social enterprise as flexible and entrepreneurial entities, but it raises cautions about the more specific notion of nonprofits operating businesses.

The excitement over income-earning social-purpose businesses is easy to understand; it is hard not to see the appeal for nonprofits of a project that achieves a social end and supports itself. In addition, it is this version of social enterprise that has been reinforced by dozens of articles and reports written about social enterprise standout success stories,

such as the Delancey Street Foundation in San Francisco, an organization that has trained 14,000 ex-convicts, former drug users and gang members to work in its businesses ranging from a high-end restaurant to an auto-repair shop; and Greyston Bakery in Yonkers, N.Y., which also hires people who have had difficulty with employment in the past and trains them to bake high-end wedding cakes and cookie products used in Ben & Jerry's ice creams. Often these glowing profiles are capped with heart-warming sentiments such as this one from Julius Walls Jr., CEO of Greyston: "We don't employ people to make brownies, we make brownies to employ people."

Yet in researching this report we found that nonprofits driven to meet a 'double bottom' line for customers and clients have far more typically led to frustration and failure, drawing attention and

resources away from the organization’s core work—and that even the oft-cited success stories are less cut-and-dried than they appear.

We have also found a collective tendency within the field to gloss over the difficulties and limitations of social purpose businesses. This is no doubt in part because nonprofits have been driven by the pressure to continually innovate. Support for nonprofits’ work had long been facing increasing competition for funding, and the public had begun to lose patience with the recipients of social services and with nonprofits themselves, which were

frequently portrayed, sometimes with justification, as inefficient and ineffective. The differences between nonprofit organizations and for-profit enterprises were increasingly viewed as flaws in the nonprofit paradigm that could be cured by a more businesslike approach.

In this light, it is easy to see why an organization might make a bid for a new business venture—or at least feel the need to present a more entrepreneurial face to those holding the purse-strings. And indeed, many organizations have been drawn down the path to social entrepreneurship not because an idea

meshed perfectly with their mission, or because an earned-income project was truly the best use of their resources, but because, as Rodney Christopher of the Nonprofit Finance Fund, puts it, “There is all this pressure on nonprofits to be innovative, [but there is] no reward for just doing what they do well.”

We believe it is time for a more balanced vision of social enterprise.

This is not to suggest that nonprofits should be discouraged from pursuing innovative, entrepreneurial ideas, or from incorporating tools from the for-profit

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The Seedco Policy Center is a new research organization connected to Seedco, a national intermediary dedicated to advancing economic opportunities. The Center is unique policy enterprise that is based at and informed by a large program development organization and uses that vantage point to produce a practitioner’s perspective on workforce and economic development policies. Center reports are independent of Seedco’s programs. The goal is to present an honest, pragmatic assessment of the opportunities and obstacles inherent in implementing programs and accomplishing systemic reform.

FILE THIS REPORT UNDER...
Social Enterprise: Case Study & Analysis

This report provides specific recommendations for nonprofit planning and implementation based on an in-depth analysis of a failed social enterprise and a general investigation of this type of activity in the nonprofit field.

world when they are appropriate. There will always be a place for creative financing, earned income, and outside-the-box thinking in the nonprofit world. But the truth is that nonprofits have always been entrepreneurial in this sense; they are perhaps the most adept organizations at stretching a dollar, or envisioning ways to accomplish their goals on a dime. However, there is also a reason that nonprofits exist—and that is because they satisfy social needs and provide crucial services that for-profit business and the market alone do not.

This report is the first from the Seedco

Policy Center and it seeks to begin to re-evaluate when and where entrepreneurship can truly enhance and support the work of mission-driven nonprofit organizations—and when nonprofits should be praised and supported simply for doing their vital work, and doing it well. In it, we track the trajectory of the social enterprise movement, from its inception to the current state of the field. We then provide an in-depth case study of Seedco's Community Childcare Assistance project, a social purpose business that reveals some of the pitfalls of putting such a venture into practice and helps illuminate some of the larger lessons about the

limits of social enterprise for nonprofits. Finally, we offer some recommendations, both for individual organizations and for the field in general, which we hope will help inform both the expectations and application of nonprofit social enterprise projects in the future.

The approach to this work stems from our belief, which is at the core of the Seedco Policy Center's mission, that a policy is only as good as its practice, and that we can achieve our social goals only by exploring and responding to the real impact of the strategies we employ. ♦

REPORT PROCESS

This report is the product of a five-month review of Seedco's Community Childcare Assistance program and an in-depth examination of the social enterprise field. The information on Seedco's Community Childcare Assistance program was gathered by a team of independent researchers who had access to all files and sources connected with the project, and included interviews with more than 20 staff members and others affiliated with the project. The research on the social enterprise field in general included a comprehensive literature review, as well as interviews with more than 20 field leaders, funders, and other experts.

CREDITS

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SOCIAL ENTERPRISE: A FIELD REVIEW

One of the most notable things about the field of social enterprise is how broadly and divergently it has been defined.

To some the term implies injecting social responsibility into traditional business ventures, à la Ben & Jerry's or Seventh Generation. Others use the phrase to refer to nonprofit organizations that commit to embracing good fiscal practices. One foundation officer interviewed said, "In many ways all that we are talking about [when we talk about social enterprise] is sound fiscal and business planning. You can call it social ventures or social philanthropy or anything—it is all just a label for something any of us would want to see."

Fast Company magazine's Social Capitalist Awards define social entrepreneurs as those "using the disciplines of the corporate world to tackle daunting social problems." Harvard Business School's Social Enterprise Initiative's mission, "encompasses the contributions any individual or organization can make toward social improvement, regardless of its legal form (nonprofit, private, or public-sector)."

The diversity of opinion on what constitutes a social enterprise or social entrepreneurship is perhaps best highlighted in a 2006 edited volume entitled *Social Entrepreneurship*, by Johanna Mair, Jeffrey Robinson and Kai Hockerts—professors based in Spain, New York and France. They had so much trouble discerning the multitude of differing terms in their book that it contains a three-page table mapping out the authors and the various definitions for social entrepreneurship that each one uses.

Within the nonprofit world, however, the forms of social enterprise that have generated the most excitement over the

past 15 years, and the types that we focus on in this report, are stand-alone businesses created to earn income for their parent nonprofits, and nonprofit commercial ventures created explicitly to solve social or economic problems.

A History of Nonprofit Social Enterprise

The idea that nonprofits can generate revenue certainly is not new. Health care, arts and higher education institutions have long generated earned income from fees, ticket sales and tuitions. Goodwill is among the most visible and longstanding examples of a nonprofit social enterprise,

designed to generate earned income, and in many cases intended to address social needs at the same time.

Private grantmakers, particularly family and corporate foundations, were the strongest promoters of this approach. A foundation officer said, "One of the big appeals of social enterprise is that it aims to be self-sustaining after the initial foundation investment. This is a funder's dream, because you won't feel guilty after you stop funding." High-profile funders, such as Goldman Sachs, the Pew Charitable Trusts, and the Kauffman Foundation saw the allure of programs that would help pay for themselves, and began to encourage nonprofits everywhere to embrace entrepreneurship as they never had before.

In response to this, a whole crop of con-

The success rate for nonprofit enterprises is the same as small businesses: a large share fail. The difference is, with the social mission attached, it is harder for nonprofits to let go.

started in 1902 when a Methodist minister began funding his nonprofit charity organization by selling donated clothes and other unwanted items. Similarly, the Red Cross earns much of its revenue through blood sales.

In the 1990s however, a vast array of influential funders and support networks arose to encourage nonprofits to embark on revenue-generating enterprises en masse, and in ways they never had before. The trend was not about museums charging more at the gift store or hospitals capturing more earned income for medical research—it was about traditional human service or community development entities establishing ventures

sultants, support groups and technical assistance ventures began to arise. There was the Yale School of Management's National Business Plan Competition for Nonprofit Organizations that attracted almost 500 plans a year. A large trade group was formed, the Social Enterprise Alliance, that attracted hundreds to its annual conferences. Seedco was a part of this growing field, establishing the Nonprofit Venture Network in 2000. The Network provided a unique mix of technical assistance, peer learning and direct grants to begin business plans.

The field also developed its own literature and academic programs. There were about a dozen how-to manuals that came

out beginning in the late 1980s with titles like “Venture Forth! The Essential Guide to Starting a Moneymaking Business in Your Nonprofit Organization” and “Social Entrepreneurship: The Art of Mission-Based Venture.”

Academics also began to examine the field, including Dennis R. Young at Georgia State University, Gregory Dees at Duke and Beth Battle Anderson at Harvard. Beyond individual professors, many top business schools such as Columbia, Yale and Harvard established major programs connected to social enterprise; Stanford even established the *Stanford Social Innovation Review*, a widely-read quarterly journal dedicated to the issues.

This all led to a general feeling among nonprofits that they ought to establish their own businesses or at least pursue earned income projects, and indeed, based on our informal survey of the field, the interest in social enterprise has led to a noticeable uptick in traditional nonprofits embarking on new commercial ventures. This rise was seen in Seedco’s own work through the Nonprofit Venture Network, in which over 200 nonprofits were introduced to business planning concepts and over 30 received advance instruction and financial support to start their own ventures. This included a number of traditional nonprofits, including a youth group that was helped in its effort to create a commercial catering business.

Determining exactly how many such ventures were created, however, is a surprisingly difficult task. The difficulty lies in how IRS data for 501(c)(3)s is collected. Revenue streams are broadly consolidated and funds ranging from hospital fees, college tuition and even multi-million dollar government contracts are all considered commercial revenue. It’s no surprise, then, that by IRS data nonprofits look to be generating a tremendous amount of earned income. In 2002, 72 percent (\$955 billion) of nonprofits’ funding was recorded as commercial revenue.

A few academics have attempted to tease out the data to better determine what

slice of this figure is indeed business-oriented earned income. Lester Salamon, a Harvard professor, estimated that earned income was closer to 50 percent, although he left college tuition and museum fees in his calculations.

The most detailed analysis was a 2006 Urban Institute survey by Janelle Kerlin and Tom Pollak. They still counted major government contracts but came fairly close to assessing the role of earned income for nonprofits. They found that between 1982 and 2002 there was a 10 percent rise in the slice of nonprofits’ income that came from earned sources.

The State of the Field

If we accept the idea that a significant number of nonprofits have embraced social purpose businesses, the question then is how successful have these ventures been? Here the information is a little bit clearer, but not very encouraging. One of the most thorough reviews of profitability was conducted by two consultants writing for the Harvard Business Review. They found that in a random sample of social ventures in 2001, 71 percent lost money, 5 percent broke even, and 24 percent turned a profit. But the authors stressed that even those claiming success probably under-counted indirect costs such as managerial time from the host organization or unaccounted subsidies for startup costs.

Certainly, some nonprofits successfully mix earned income with foundation or government subsidies. There are also some examples of separate businesses, such as the café and thrift stores run by HousingWorks, that earn revenue that is funneled back to the parent charity. But the notion that nonprofit social ventures can be purely self-sustaining has not been borne out by real-world experience. Says Rachel Mosher-Williams, a nonprofit researcher at the Aspen Institute, “Most nonprofit social enterprises considered successful have philanthropic grants. It’s very unusual for social enterprises to be self-sustainable.”

Indeed, despite having interviewed some of the most noted nonprofit social enterprises and over a dozen experts in the field, we could not identify a single example of an entirely self-sustaining nonprofit-based social enterprise.

One of the reasons for the gap between the perception of the success of the social enterprise movement and the reality is the misconception that the success stories regularly trotted out by the media are truly self-sustaining businesses—or even nonprofits.

In fact, they all employ a combination of overt and hidden subsidies that allow them to pursue their social goals while remaining competitive in the marketplace. Greyston Bakery operated as a simple for-profit business for several years before embarking upon its job-training program and starting its foundation. It still pays its bakers minimum wage in exchange for the opportunity to learn a skill, and receives a community development grant to support that work. The Delancey Street Project employs substance abusers and former felons in exchange for not going to prison, and although it eschews government money, takes in more than \$10 million in private donations annually. Ben & Jerry's PartnerShop youth training program franchises are run by nonprofits and supported in part by foundation grants.

Perhaps even more importantly, enterprises such as these are typically run by people who are businesspeople first, and social engineers second. They carefully weigh how much “social” they add to what is fundamentally a sound business enterprise, and at what pace. Ben Cohen and Jerry Greenfield built their business for eight years before they started their foundation and began to give back to their community anything beyond the occasional free scoop of Chunky Monkey.

Those nonprofits that have succeeded with earned-income projects have typically stuck to simple structures and chosen ventures that give them an advantage in the marketplace. The popularity of thrift shops as traditional nonprofit-based social enterprises is no accident: because they resell existing goods, thrift

shops are simpler to run than businesses that actually make goods or provide services, and they are among the few cases in which nonprofit-based social enterprises actually have an edge on the for-profit competition, because they can resell donated goods while their competitors must purchase their inventory. As we mentioned above, HousingWorks has had success with this model, using volunteers to help staff its thrift shops as well as its café, where it resells donated used books along with coffee and cake.

Andy Horsnell, a senior consultant with Aperio, a leading social innovation consulting firm, noted, “The most successful nonprofits see social enterprise as a way to build upon their existing capabilities to enhance both their mission impact and financial sustainability. To do this, they ensure that their enterprises are

Nonprofits vs. Businesses: Some Salient Differences

Nonprofit Approach	Business Approach
Primary goal is to fulfill social mission	Primary goal is to make money
Culture of slow decision making with multiple layers, including board	Need for quick decision making
Expected to apply bulk of financial resources to direct services to clients	Expected to invest in infrastructure such as technology and business management
Must achieve social and financial goals concurrently	Must achieve financial goals only
Focus on what clients need	Focus on what customers want

aligned with their charitable purpose, their expertise as an organization, and their customers’ priorities.”

Nonetheless, while the desire to earn income may be what brings nonprofits to the social-venture table, much of the excitement has been over the idea of using a business model to generate creative solutions to social problems. So when nonprofits conceive of a social venture, they frequently create models, as Seedco did with its childcare program, that try to do it all.

The Dangers of Social Enterprise

What's wrong with a community-development organization trying to earn some income by starting a catering business that trains and employs community residents?

First, it is worth recalling that more than half of *all* small business ventures fail within a few years or never get off the ground at all, and nonprofits are no different—except that the implications of failure can be far greater. As Dennis R. Young of Georgia State put it, “There is no reason to believe that the success rate of nonprofit enterprises is any better than that of small businesses. And the consequences of failure can be more serious if it imperils or inhibits the nonprofit from carrying out its social mission.”

Having one's social goals linked directly to one's financial success can force nonprofits to face decisions that can affect the organization's structure and priorities, and even challenge its very nature. Let's say you open a catering business, run it successfully for a while—and then your landlord doubles the rent. How would the organization feel about firing some of its employees, or cutting salaries or benefits to keep the business afloat? What if that was the only way to preserve the jobs of the other workers? What if the revenue stream were helping to support another vital program?

Says Spence Limbocker of the Neighborhood Funders Group: “What I've seen in nonprofits trying to earn money is that it has moved them off their mission, which has been a major problem.”

A number of leaders in the field are beginning to speak out about the dangers and limitations of social enterprise as a tool for nonprofits. Jim Shorr, Executive Director of Juma Ventures, an organization that provides employment opportunities for youth in San Francisco, is a strong proponent of social enterprise, noting that it is a burgeoning field with huge potential. Nonetheless in a *Stanford Innovation Review* article he said, “The problem is that the vast majority of these

ventures, as they exist today, are not sustainable. Unless these organizations develop new models that enable social enterprises to deliver double bottom line results, or find permanent funding subsidies for their activities, their chances of long-term survival are not good.”

Sara Horowitz the founder of the Freelancers Union, an organization dedicated to addressing the needs of the independent workforce, calls the idea of revenue generation for *all* nonprofits “ludicrous.” “Why can't nonprofits just be nonprofits?” she asks.

Indeed, as more information about some of the early social enterprise experiments has begun to emerge, a more sober mood has started to permeate the field overall. There is a growing understanding that many of the initial experiments did not fare so well, and that overzealous encouragement may have pushed too many nonprofits into ill-advised commercial projects. Says Limbocker, “For the most part [social enterprise projects have] not been that successful, for two reasons: one, running a nonprofit is very different than running a for-profit, and two, if there could be a profit made, someone in the for-profit world would have already tried to do it. In my own view I think pushing nonprofits to act and look like for-profits has gone overboard in many cases and has been to the detriment of the nonprofit world,” he adds.

Ben Esner of the Independence Community Foundation said, “For the most part, we have to get away from the notion that starting businesses is going to help nonprofits meet their bottom line. I mean, unless someone in the future will turn over the patent for the next generation of HDTVs to nonprofits, the overwhelming majority don't have a shot at making any real money. The idea of social enterprise is not dead, it just needs to be revised and made more realistic.”

Peter Brinkerhoff, a prominent consultant in the field said, “There is way too much use of the term ‘for-profit venture’ [applied to nonprofits]. It takes away from the focus on mission. As long as nonprofits keep mission first, thinking in a business-like way is a good thing.” ♦

CASE STUDY

The Story of Community Childcare Assistance

When the Personal Responsibility and Work Opportunity Reconciliation Act became law in 1996, it was heralded by its supporters as “the end of welfare as we know it.” But if one chapter had been officially declared closed, the next was uncharted territory. As more and more people left the welfare rolls and entered the workforce, it became clear that these workers had new and different needs.

One of the issues was the need for more childcare. Congress increased funding for childcare by \$600 million, or 27 percent, as part of welfare reform, but childcare was not considered an entitlement, and the money did not meet the new demand for services. Many working parents wound up on waiting lists for subsidized daycare; others simply chose to make their own arrangements. In both cases, however, the arrangements frequently depended on the kindness—and reliability—of relatives, friends or neighbors.

Workers’ need for consistent childcare was a recurring issue for Seedco, which was administering a welfare-to-work contract for the U.S. Department of Labor. It learned firsthand that many new workers were losing their jobs due to absenteeism, and that these workers most frequently missed work when their regular childcare arrangements fell through.

If there was not enough money to cover the need for primary childcare, there was certainly no money for backup care, yet the problem was preventing otherwise capable people from achieving stability in their jobs.

At the time, interest in personal responsibility was having almost as profound an influence on the nonprofit sector as it was on welfare. Accountability and

earned income were the words on everyone’s lips, and more and more nonprofits had already begun to consider pursuing ways to generate their own income in the hopes of become less reliant on foundation dollars.

Policy groups and even some grantmakers had already begun to emphasize a so-called social enterprise approach to nonprofit work. New foundations focusing exclusively on social enterprise also began to sprout up. Even some tradi-

tional foundations began to subtly favor nonprofits that demonstrated a focus on social enterprise or at least a willingness to explore earned-income strategies. Foundations became taken with the idea of making grants to programs that aimed to become self-sustaining in the long-term—that is, that could eventually “out-grow” the need for foundation money. In addition, there was the increasing belief that the nonprofit world was too bloated and inefficient, and that that the infusion of business principles would increase accountability and reduce waste.

Little if anything was said about the difficulties of pursuing what proponents of social enterprise had taken to calling the “double bottom line.”

Seedco as an organization was in the midst of much of the thinking around social enterprise in New York and nationally. It even sponsored a major initiative called

the Nonprofit Venture Network, which provided targeted advice and start-up grants to nonprofit organizations looking to start commercial businesses.

It was in this broad context that the Community Childcare Assistance initiative was born.

CCA was initially conceived as a creative solution to a welfare-to-work problem, not as a test case for nonprofit social enterprise. The idea was a bold one:

There was the increasing belief that the nonprofit world was too bloated and inefficient, and that that the infusion of business principles would increase accountability and reduce waste.

Seedco would offer a backup childcare plan through employers, structured as an employee benefit aimed at improving worker stability and productivity. As envisioned, employers would enjoy a more reliable workforce, employees would gain access to the services they needed, and all this would be achieved with far less public or philanthropic subsidization than a traditional social-service entitlement program would require.

In practice, however, it didn’t work. It would be wrong to simply dismiss CCA as a programmatic misfire. Whatever other factors may have contributed to its struggles, our analysis suggests that the story of CCA reflects some of the significant differences between social-purpose ventures and traditional for-profit businesses, as well as the limits of business ventures as a tool for mission-driven nonprofits.

The Idea

Seedco was founded in 1987 with a mandate to bring fresh, innovative ideas to the community development arena. It began by offering loans and technical assistance to higher-education institutions, such as Yale and Clark universities, that were situated in low-income communities, in an effort to help those institutions spearhead successful community revitalization efforts.

Then, in the late 1990s, Seedco began to shift its focus toward workforce development, and in 1998 it received a large federal welfare-to-work contract to transform a small, locally funded experiment connecting community-based service providers into a major workforce-development partnership.

The partnership was dubbed the *EarnFair* Alliance, and it was an unprecedented attempt to pool the collective strength and local competency of community groups in order to provide job training and placement services at the exact moment that New York and other cities began a major shift from welfare to work. With more and more services being provided directly by the largest nonprofit or even for-profit companies under massive government contracts, *EarnFair* represented a radically different approach: Rather than providing services itself, Seedco functioned as a central administrative hub for a managed network of local groups that then assisted low-income job seekers coming off of welfare. The various community partners in turn offered Seedco immediate feedback as to how major federal welfare policy changes were playing out on the ground throughout the city.

It didn't take long for Seedco to notice an unsettling trend among the workers *EarnFair* was helping to train and place: Well over 40 percent of participants reported that their work or training schedule was disrupted due to problems with childcare.

When Seedco scratched beneath the

surface, it learned that absences typically occurred when a family's childcare arrangements fell through at the last minute. In New York City, where there were more workers than jobs at the low end of the economic ladder, a series of absences could easily get an "expensible" employee fired.

Seedco started to consider what it could do to address the problem.

It seemed clear that the workers they served through *EarnFair* and other low-income employees needed some type of backup or emergency childcare. The question was how to do it. Seedco knew that workforce-related childcare problems had no quick fixes, so from the outset they set out to envision a model that would be sustainable over the long term. This was no easy feat given the scarcity of funds for childcare programs in general, and the unlikelihood that foundations or even a government agency would fund an emergency-childcare program beyond its startup phase.

Then they hit upon an idea: Why not sell backup childcare plans directly to businesses, as an employee benefit that would help reduce absenteeism and promote worker retention? Employers who offered the plan would gain a more stable workforce; the low-wage workers they employed would gain a tool to help them attain job security and stability, as well as peace of mind; and Seedco would create a program that could support itself.

Everyone would win—wouldn't they?

The Start-up

In 2000, in part with a small grant from the Sirius Foundation, Seedco drafted an internal business plan for what was to become the Community Childcare Assistance initiative.

Although Seedco was not a direct childcare provider, it had a longstanding interest in and understanding of the childcare field in New York City, particularly

By the Numbers:

When Seedco looked into the issue, the numbers pointed to a deep need for back-up childcare.

80%

of the companies surveyed said that workdays were cut short by childcare problems.

28%

of low-income working families used informal childcare arrangements.

13%

of low-wage workers had access to childcare resources and referrals.

7.6%

of low-wage workers had employer-sponsored on/near site care.

2.5%

of low wage workers received a childcare subsidy.

2%

of blue-collar and service workers were offered childcare benefits.

Seedco CCA Business Plan; data from Urban Institute, 2000.

as it related to low-wage workers. They knew, for example, that government-run daycare centers had lengthy waiting lists, and that many were contractually unable to take private clients. They also knew that there was significant availability in family-based childcare businesses throughout the city—and this seemed to present a golden opportunity.

Family-based childcare providers are licensed childcare practitioners who typically run small, entrepreneurial daycare businesses out of their homes. Seedco discovered that, although New York State allows family daycare providers to care for up to six children, those providers typically had an average of two vacant slots, which meant they could usually accommodate additional children at the last minute. In addition, a large, decentralized network of providers seemed to offer more convenience for workers than a few scattered daycare centers would.

The icing on the cake was that most of the family daycare providers were wom-

en from low-income backgrounds themselves. If Seedco chose to offer backup care through family-based childcare providers, it would be able to leverage the same cash it was using to assist low-wage employees to also support and encourage this group of community-based entrepreneurs.

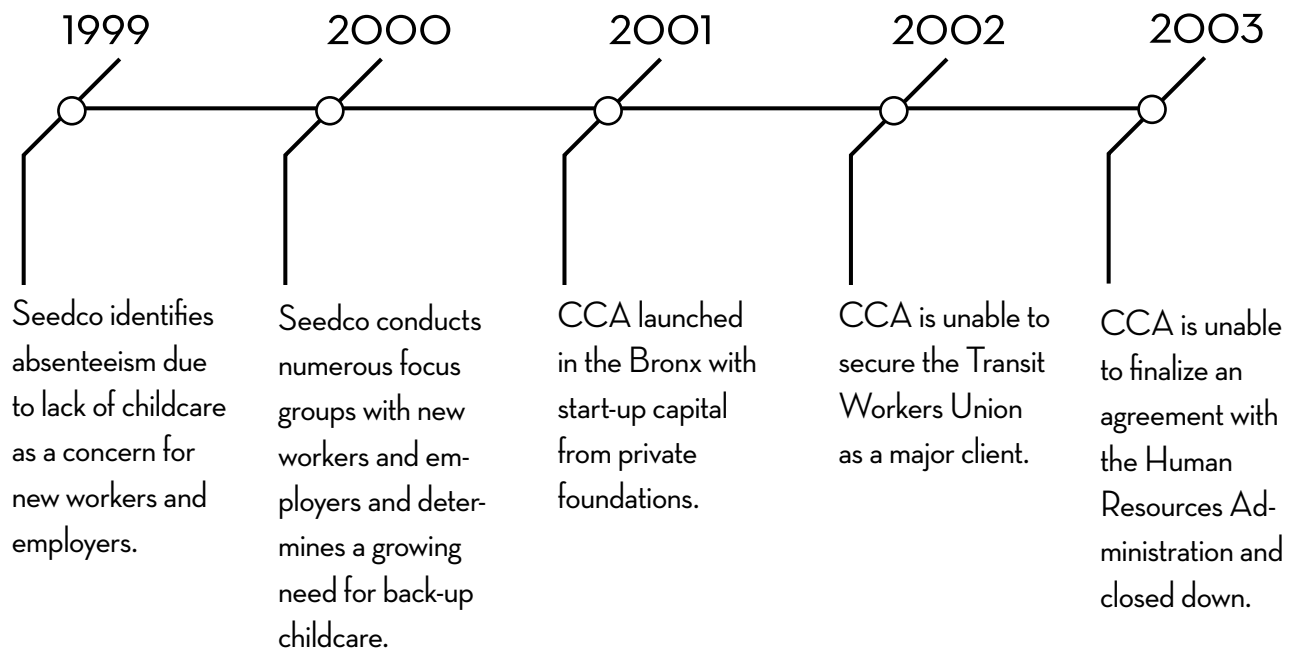
In 2001, a group of MBA students from Columbia Business School conducted a pro bono marketing study to assess CCA's viability as a social-purpose business, including a thorough scan of the field to determine how other businesses addressed the need for backup childcare. They found that major employers that offered backup childcare typically did so through one of a handful of large, privately run national or Manhattan-based companies, and that those companies most frequently provided center-based care. They were also extremely expensive. The business model was to create a high-quality childcare center, but one that only a few employees actually use. The idea was that large corporations

would buy plenty of high-quality slots for their workers to ensure that no one could claim that they couldn't come to work because of missed childcare.

Seedco's vision, however, turned this construct on its head. They wanted to charge as little as possible for each childcare slot, and have everyone who was entitled to do so make use of the service. Their financial paradigm was to eke a small profit out of a large number of customers, rather than charging a lot for what, among corporate clients, typically turned out to be very little.

Once it was determined that purchasing slots through commercial daycare centers was simply unaffordable, Seedco explored starting their own stand-alone daycare center or centers, but this required far too much capital investment and financial risk. They also considered a nannies-on-call model, where caregivers go to the child's home, but found no affordable options of this type that served their target communities. Linking work-

The Community Childcare Initiative: A Timeline



ers to other sources of informal care was never really on the table, as these might turn out to be just as unreliable as the workers' regular arrangements, and because some of the stakeholders in the project were early-childhood experts who persuaded Seedco that there were great benefits to the children in using trained, qualified childcare providers. Seedco also wanted caregivers to be licensed and insured, because it was a sign of quality care.

One by one, the options Seedco considered wound up in the dustbin, and family-based care became the sole focus of their plan. In addition to the geographic and social advantages of using these providers, Seedco recognized that the "slack capacity" in family-based care meant that they could work out a pay-as-you-go arrangement with providers rather than purchasing costly daycare slots far in advance, many of which would likely go unused. It also allowed Seedco to *guarantee* its customers that childcare would be available the same day it was requested—something its competitors in the field could not do.

In March of 2001, Seedco finalized their business plan for CCA, using a network of family-based caregivers as its model. They envisioned a small six-month pilot program, tentatively targeted at employers in the Bronx, because the borough had the highest need for emergency childcare among low-income workers, and Seedco had a strong relationship with other local nonprofits there. Once they had succeeded in the Bronx, they would launch CCA in other boroughs.

In May of that same year, the Columbia study was completed. It noted some obstacles, but on the whole said that CCA had great potential. The students delivered a PowerPoint presentation and produced an inch-thick report focusing on how CCA should be brought to market, suggesting that the most receptive customers to the CCA model were larger local businesses, businesses that already offered employee benefits, businesses with many entry-level and low-income employees,

and businesses with a large number of female workers. It also advised Seedco to make quality the center of its marketing campaign to the end-user.

Later that same year, Seedco received a second series of capitalization grants, totaling \$200,000, from a consortium of local childcare funders. As one of the local funders recalled, "I was very impressed with the staff and how well thought out the plan was; it seemed plausible. It was a good idea and if anyone could sell it [to businesses] this staff could."

Seedco executives recruited a staff with business and planning backgrounds to bring CCA to market.

The Launch

Seedco officially launched CCA as a pilot program in the Bronx in November of 2001.

As the Columbia study had recommended, the staff put a lot of effort into marketing the program to businesses and to workers. They produced a number of easy-to-understand posters and brochures attesting to the ease of using CCA's back-up childcare service and touting its quality. CCA employed a bilingual staff person to canvass the Latino-dominated borough. She went door-to-door to various workplaces trying to sign people up.

Seedco's confidence in the program was reinforced early on when they encountered their ideal client—one that needed the service CCA was offering and believed in the model from the moment they heard about it. The employer was Cooperative Homecare Associates (CHCA), a Bronx-based social enterprise itself. CHCA is a member-owned home healthcare business that at the time employed 800 women, 55 percent of whom had young children themselves. CHCA administrative staff worked closely with CCA's staff to ensure that it would be easy for workers to use the service, and worked out a system under which

CHCA would purchase a set number of childcare days in bulk, in advance. CCA's marketing staff person began to show up to talk about the program every Friday when the women collected their paychecks. Eventually, over 250 were enrolled in the program.

Unfortunately, CCA's experience with CHCA was not repeated with other

Numbers Served:

With nearly \$300,000 in start-up funds, Seedco gave itself three years to build a highly complex social-purpose business. Seedco projected that it would, within the first year, reach 2,000 eligible employees and enroll 20 percent of those. In reality, enrollment did not peak until the fifth year, with 3,600 eligible families, of which 30 percent had enrolled.

employers in the Bronx. In fact, when Seedco called back the employers from their initial focus groups, they were shocked to find that *none* of them were interested in the program.

One reason for the cold reception was undoubtedly the timing of the launch: CCA was brought to market shortly after September 11, 2001, and the economic climate in the city had changed since its business plan had been so warmly received. Seedco had felt for various reasons that it could not postpone CCA's start date, but the city was in the midst of a recession, and employers in general were less than eager to expand their employee-benefits programs.

There were other problems as well. Small businesses in the Bronx, many of which employed the workers CCA hoped to reach, turned out to be an especially hard sell, since most were not accustomed to providing any employee benefits at all. Still other businesses found that the specific benefits CCA provided did not meet

their needs—for example, family childcare providers could not accommodate parents who worked nights or weekends, or take children who were even mildly sick.

Initially, Seedco remained undaunted. They had known all along that they would likely have to demonstrate the usefulness of CCA to employers before they would be able to bring the program to scale, and had envisioned building up their credibility with both workers and employers through a relationship with the Human Resources Administration, the city's social service agency.

HRA had initially expressed great interest in working with Seedco to provide emergency childcare for its welfare-to-work clients, and Seedco had quietly been counting on HRA to serve as a core client, providing a steady stream of customers as well the revenue with which CCA could build its business clientele.

This also did not go as planned. Seedco had imagined being paid by HRA for providing a universal service, but instead, HRA wanted to pay CCA a set amount for each client the program enrolled, and then a per-use fee—an arrangement that required CCA to front all of the money, with no guarantee it would be returned. In an effort to make this arrangement work, they then agreed to a plan through which CCA would offer emergency childcare as a transitional benefit to people who had already been placed in jobs. Unlike the workers they served through their business clients, however, HRA's clientele did not all work for the same employer or in the same location, so while this potential market of users was large, it was also scattered and hard to reach. This required CCA staff to rely on HRA to pass along the names of those who had moved into jobs, and then to reach out to them individually to sell CCA's services.

Even once they established a more efficient arrangement—selling the benefit to HRA recipients at city welfare centers, rather than door-to-door—their sessions bore little fruit, and certainly

did not provide the solid track record CCA had hoped to show potential business customers.

The Struggle

If persuading employers to take a chance on CCA and working out a viable logistical arrangement with HRA were the initial hurdles the business faced, they were unfortunately far from the only ones. Once they gained access to a pool of workers, CCA staff still had to convince those workers to enroll in the plan and use the service; this was perhaps the most challenging task of all.

Seedco had known that selling the idea of family-based care would take some work, but they were surprised to discover how strongly parents resisted the family-care model. Many did not like the formal registration process, which required a doctor's visit for each child being enrolled, or the thought of leaving their children in a stranger's home. In addition, many of the family-based childcare providers lived in public housing projects, which was a major deterrent for many parents. And while the childcare networks were spread throughout the Bronx and served many areas, providers were still frequently a mile or more away from a parent's home or workplace.

Nothing, it seemed, was going as planned.

Seedco was following its business plan to the letter, but it wasn't generating nearly as much business as it had anticipated. Meanwhile, many of CCA's costs, such as salaries, overhead and marketing, were fixed, and the business plan depended upon CCA ramping up to serve tens of thousands of users. So the organization began to adjust its approach in various areas in effort to get back on track.

First, to counter the ambivalence of employees, CCA wound up engaging in a labor-intensive customer-service campaign: an outreach worker estimated that she was spending one full day per week

coaxing parents to complete the medical paperwork they needed to enroll their children in the program. Frequently, she would visit doctors' offices herself to collect the necessary forms.

Second, CCA tinkered with its pricing and administrative structures, shifting from a traditional employee-benefits type of plan, which employers neither understood nor embraced, to a virtual coupon book through which employers could purchase a set number of slots for the company over a set period and use them as they chose.

Third, Seedco had always envisioned netting a large "anchor" client at the outset in order to help bring the program to scale on its projected timeline. While they continued to struggle to find a workable arrangement with HRA, they also explored other options. They soon learned that it was virtually impos-

Seedco was following its business plan to the letter, but it wasn't generating nearly as much business as it had anticipated.

sible for them to gain entrée with any employer that had a unionized workforce—and most of the larger Bronx-based employers, such as hospitals and universities, were union shops. When they finally did make inroads with the Transit Workers Union, their eagerness to provide anything and everything the union wanted translated into too murky and complex a pitch for the union's leadership to embrace.

Seedco had always planned to expand into other boroughs six months after launching the pilot program. This strategy assumed that the pilot program would succeed in establishing a solid client base. Now, CCA staff realized that since people who worked in the Bronx didn't necessarily live in the Bronx, CCA would need to expand its offerings to other corners of the city just in order to make the

pilot plan work. In other words, if CCA was going to work at all, it needed grow sooner rather than later.

Seedco considered its options and decided to take the plunge, giving itself six months in 2002 to launch the venture in Brooklyn, Upper Manhattan and parts of Queens.

The End

In 2004, Seedco and the CCA Board sat down to take stock of the program's progress. What they concluded was that, while some inroads had been made, and a few thousand had received services, the program was still a hard sell to employers and was being met with an ambivalent response from end users. The final blow came when HRA changed

the terms of its agreement. Instead of paying a \$50 enrollment fee for each child and \$25 per child for each day of backup childcare used, HRA wanted to pay Seedco \$50 for each household that planned to use the service. This meant that CCA would receive the same initial fee for three children as they would for one child, so long as those children were enrolled under the same parent. It didn't take long for Seedco to realize that this arrangement was not financially sustainable.

Shortly after HRA announced the changes in its payment terms, Seedco pulled the plug. In the end, CCA contracted with four employers who used a total of 312 days of care; and overall 2,084 children were served. ♦

CASE REVIEW & ANALYSIS

The story of CCA is an important one, partly for the specific program challenges its staff faced and for what it tells us about the intricacies of the childcare field, but especially for what it reveals about the pitfalls of nonprofit business ventures in general.

Perhaps the most significant lesson of CCA and the greatest overall caveat it offers is that nonprofit entrepreneurship is a deceptively difficult enterprise, even for the savviest of organizations. Succeeding in business is a challenge in and of itself, but businesses run by nonprofits are subject to pressures and constraints that their for-profit counterparts simply are not. As CCA amply illustrates, this is doubly true when the business itself is intended to provide a social service, rather than simply to generate earned income to help support the organization's other mission-driven work.

This sentiment is summed up by William Grinker, Seedco's President at the time of CCA and the current President of Seedco Financial: "We do have a lot to learn from business practices so long as we keep it in perspective. At the same time, we can't forget the basic line of business that we're in, which is to make a social profit, not a financial one. So the trick is to figure out how bottom-line financial models and strategies can produce more effective social gains. And to the extent we can figure that out, we need to apply those strategies towards a mission-based bottom line."

Below we identify some of the areas where, either by choice or by necessity, Seedco's business strategy diverged from the traditional for-profit path, analyze the consequences of those differences, and draw some concrete conclusions about the pitfalls of nonprofit social enterprise in general.

Running a Social Enterprise Like a Nonprofit

CCA was brought to market as a business with a social purpose, but it was bankrolled and evaluated by its backers like a nonprofit program. Not only was this double standard a major factor in CCA's undoing, it is probably the most glaring defect in the existing social enterprise paradigm overall.

First, starting a business that has any chance of succeeding costs a great deal of money. Often, the cost of start-up is greater than most foundations are accustomed to granting nonprofits. So CCA, like many nonprofit-based businesses, started out undercapitalized. And what happens to undercapitalized businesses?

They fail.

Unlike businesses, however, nonprofit social programs are not supposed to fail. They may fail to live up to their promise, or require changes in strategy or structure, or prove to be unsustainable, but it is understood they are expected to produce *something* of value for the money foundations and others put in.

Nonprofit social ventures are in no way exempt from this expectation. So Seedco understood from the start that, even if CCA failed as a sustainable business idea, it needed to nonetheless provide a service. They had to show funders that they were achieving measurable social results, on a reasonable timeline, and within a budget.

In other words, although as a business venture its primary job was to succeed in the marketplace, CCA's implicit mandate was the same as it is for all nonprofits: Do more with less. Failure is not an option.

This is not exactly a recipe for how to succeed in business. The pressure to produce social results in relatively short order, and to do so on a barebones budget, makes cutting corners almost inevitable and leads to decisions that may not be in the long-term best interest of the enterprise. For example, while Seedco undoubtedly pleased funders by keeping CCA on a short timeline and tight budget, they wound up introducing the program in a hostile economic climate, without adequate market research. The ultimate result was that Seedco ended up with a program that didn't meet the needs of its target market, and CCA's staff had to triple its efforts on the back end, working overtime to persuade its customers that the service was more desirable than it appeared.

LESSON: *When businesses are expected to meet for-profit goals while operating under nonprofit rules, the so-called double bottom line can easily become an impossible double bind.*

Nonprofit Goals Tend to Multiply and Overwhelm the Business Bottom Line

For most businesses, making money is challenge enough. Social ventures already face a tougher road than their for-profit peers because, as detailed above, they have obligations and constraints that pure moneymaking enterprises do not.

With CCA, however, Seedco could not resist adding an extra handful of straws to the camel's back. Under the heading "objectives," CCA's original business plan included the following:

BEFORE YOU START A SOCIAL PURPOSE BUSINESS: Some first steps for nonprofits

What is your *primary* reason for starting a business—to generate income, or to fill a social need? Choose one, and then follow the relevant steps below.

STARTING A BUSINESS TO EARN INCOME

1. Identify a genuine need or desire in an area where your organization's primary work or infrastructure gives you an advantage over for-profit competitors in the marketplace.
2. Assess as specifically as possible what your target customers want in a product or service of this type—and how much they would be willing to pay for it.
3. Determine whether your organization is equipped to profitably provide what your potential customers want.
4. Decide whether your organization is *willing* to provide the product or service in the way the market desires it, and whether doing so falls within the organization's mission and mandate.
5. Explore how your organization would fund and sustain such a venture during its start-up phase.
6. Evaluate whether starting the business you have envisioned is truly the best use of your organization's financial and human resources. Consider whether an equal amount of income could be generated with less investment of time and/or money.
7. Consider how starting and running a business would change your organization's culture and community, and what impact it might have on your mission.

STARTING A BUSINESS TO FILL A SOCIAL NEED

1. Identify a genuine social need that traditional social programs have failed to meet adequately in the past, or are failing to meet adequately in the present.
2. Determine whether a business structure would allow your organization to address these failings. For example, you might conclude that a job-training program linked to a business that actually served consumers might turn out better-prepared trainees than the traditional classroom model.
3. Assess what the business's target customers want in a product or service of this type.
4. Explore whether your organization has the skills, capacity and will to provide what its potential customers want, while also providing what your clients need.
5. Calculate what it would take to create such a business *and sustain it* over the long term, and whether your organization could secure the necessary funding to do so.
6. Evaluate whether starting the business you have envisioned is truly the best use of your organization's financial and human resources, or whether equivalent results could be achieved through partnerships with existing businesses or other methods.
7. Consider how starting and running a business would change your organization's culture and community, and what impact it might have on your mission.

“[CCA] is a social purpose business venture that will provide licensed, back-up childcare for entry-level, low-wage workers and participants in a variety of workforce development programs whose primary childcare arrangements have been disrupted.

The social utility of the program is fourfold:

- First, it enables low-wage workers to function more effectively and productively in the work place, thus increasing both job retention and long-term labor outcomes;
- Second, it provides affordable, quality care to children through licensed childcare providers;
- Third, it supports networks of community-based nonprofit childcare providers to expand their capacity to include emergency childcare and better meet community needs;

A nonprofit business venture has the best chance of succeeding if it is a relatively simple model, and one that has worked elsewhere.

- Finally, it strengthens community-based providers by enabling them to diversify their sources of revenue and more effectively compete against for-profit providers in emerging childcare markets.”

Seedco’s impulse to “do more” with CCA is hardly unique. It is part of the nonprofit mindset to look for ways to maximize the benefit of its work by reaching as many target groups as possible with one project—and one budget.

Yet every inessential element introduced into a business plan has the potential to detract from the business’s main goals. It is worth noting, for example, that although it outlines CCA’s benefits to workers, their children, and even family daycare providers, the business plan makes no reference to employers—the business’ primary customers.

LESSON: *Nonprofit social-purpose businesses must resist the impulse to “do more.” The more social responsibilities a venture assumes, the more difficult it is to succeed in the marketplace.*

Customers are not Clients

One of CCA’s greatest flaws was that the goals and priorities that undergirded it did not mirror those of its customers.

Once Seedco identified unreliable childcare as a significant problem, they assumed that both employers and workers would embrace any decent solution as better than none. Focus group sessions did indicate that workers would welcome back-up childcare as an alternative to staying at home. On this basis, Seedco set out to design the best service they could within the given financial and logistical parameters, and then tried to sell it. This proved to be a miscalculation on several fronts.

First, while the service initially appealed to employers, they almost universally decided that its particulars did not meet their needs well enough to be worth paying for. For example, emergency care was not available at off hours or on weekends, and even mildly sick children could not participate. These limitations took away a significant chunk of the potential value of CCA for many employers and workers, and made it far less attractive of a service.

Then, the workers revealed that, contrary to appearances and what had been said at focus group sessions, they already *did* have a solution, which was to stay home from work when they felt they needed to. Seedco had not considered this a true solution because its top goal was to help workers stabilize their employment situations. But the workers had a different order of priorities: They were more interested in protecting the health, welfare and security of their kids than they were in keeping their current low-wage jobs.

The difference between serving clients

and selling to customers is a significant and demanding one for nonprofits. Organizations accustomed to assessing and fulfilling clients' basic needs must adjust to thinking about what customers desire, and accept the likelihood that they will have to sacrifice some social goals in order to produce a marketable product or service. In the best-case scenario, this improves the quality of the service. In the worst-case scenario, it forces an organization to choose between undermining its business model or being driven off its primary social mission.

LESSON: *In business, the customer is always right—and what customers want is not always the same as what funders or nonprofits think they need.*

A “Can Do” Attitude is not Enough

Although it most certainly conceived of CCA as a business, Seedco itself nonetheless approached the project more like a social program than a for-profit venture. Instead of being direct about what employers and workers really wanted, and then determining whether it could profitably offer those services in a marketable package, its method was pure nonprofit: Figure out the need first, then figure out how to make it happen.

While for-profit entrepreneurs may start by envisioning their ideal, they also may be more realistic about whether that vision is practical. Nonprofits rarely have that luxury. Most nonprofits that have been around for any length of time have a sense of the size of grant most foundations will give, and for what types of projects. If they respond to a government RFP, they are frequently being asked to come up with the best proposal they can envision—within a given price range. These economic limitations legitimately breed a tendency to try to work with the tools at hand. Nonprofits survive by maintaining a can-do attitude and enthusiasm for their mission. However, in

their desire to get it done, in some cases that enthusiasm can persuade them to stretch beyond their capacity and in others it can preclude them from seeing potential flaws in their vision.

LESSON: *Nonprofit programs may be hope-oriented, rather than goal-oriented. Businesses, even those with a social purpose, must be realistic, rather than idealistic, in order to succeed.*

Market Niches May Signify Market Sinkholes

Nonprofits tend to know—and seek to avoid replicating—what other individuals and organizations are already doing. Nonprofits, selling their wares to funders, are constantly asked what makes them different, and are asked to justify what new idea or service improvement they are providing that deserves a foundation's or government agency's investment. They naturally look for market gaps in order to better define themselves as different from their peers.

In the case of CCA, Seedco saw the slack capacity in family-based childcare as a ripe opportunity, without stopping to wonder why, from a market perspective, those slots remained empty when affordable childcare was so desperately needed by so many. Rather than examining why the private market had decided emergency childcare assistance for low-wage workers was too difficult or risky, Seedco understood, rightly, that in the nonprofit world that market niche was a goldmine, and would attract private dollars they could use to try to solve a pressing social problem,

LESSON: *Social ventures are not a good time to venture into uncharted territory. A nonprofit business venture has the best chance of succeeding if it is a relatively simple model, and one that has worked elsewhere. ♦*

RECOMMENDATIONS

Social Enterprise II: A New Vision for Social Entrepreneurship

The story of Seedco's Community Childcare Assistance illuminates some of the significant flaws in the original paradigm for nonprofit social enterprise. Yet the social entrepreneurship experiment has also broadened the nonprofit mindset in ways that are well worth retaining. In general, nonprofits now understand the value of having and adhering to a business plan, doing market research, aspiring to fiscal responsibility, and achieving measurable results. They have also been encouraged to think outside the proverbial box, both in terms of pursuing creative solutions to social problems and envisioning new ways to help support their work financially. Indeed, Seedco itself, far from being put off by its experience with CCA, has embraced the lessons of CCA and incorporated them into its new vision for nonprofit social enterprise—one that has begun to emerge in similar form across the nonprofit community.

This new vision, which we call Social Enterprise II, encourages nonprofits to continue to explore and employ entrepreneurial methods and ideas, but in a way that respects the limits of those methods and the strengths nonprofits bring to the table.

In this section we offer a survey of the changes Seedco made to its social enterprise paradigm based on its experience with CCA, and make some concrete recommendations both for nonprofits and their supporters on moving into the next phase of the social enterprise movement.

After the failure of CCA, Seedco made some significant changes to its approach

to social entrepreneurship, many of which can and should be applied by the field at large.

First, Seedco no longer suggests that its social ventures will ever be self-sustaining. Instead these programs are based on a **mixed-revenue financial model**.

Second, Seedco now builds in significant **time for incubation**. This is a phased-in gestation period in which a social venture that may have revenue-generating potential is nurtured with heavy subsidies from the public and private sector.

Third, Seedco aims to **launch new programs in multiple locations** whenever possible. This gives the venture a fair shot of proving itself in a few different environments to truly determine if it is a viable model if given the right markets.

In addition to the specific adjustments outlined above, CCA and other pioneering experiments in social enterprise have led to important understandings about the uses and limits of social enterprise, and how nonprofits should incorporate this new knowledge into their work. They are:

Look hard before you leap.

First and foremost, nonprofits must get past the idea that the business community holds all the answers. The truth is that if the free market held the potential to fill all social needs, nonprofits would never have been created in the first place. Nonprofits provide vital services that help hold the fabric of society together—that is how they earn their keep—and putting pressure on an organization to support itself financially while fulfilling its social mission only guarantees that it

will fail to do either. Instead of allowing themselves to get pressured into diving into a business venture, or getting swept up in the excitement of a great idea, nonprofits must really consider the potential consequences of pursuing one of the social enterprise models, and evaluate whether doing so is truly the best use of its time, resources and expertise.

There is no magic bullet. Many nonprofits enter the field of social enterprise hoping to make enough money to free them from some of the very real financial pressures they live under every day. For the majority of nonprofits however, particularly those that envision starting a business that fills a true social need, this is not just an impossible dream, it is a dangerous illusion. Few nonprofit-based business ventures ever become self-sustaining, and fewer are truly profitable. It is simply not realistic to imagine that most social-service nonprofits will ever reach any measurable degree of financial independence, yet the temptation to reach for that brass ring has led many nonprofits to embark on projects that wind up draining vital resources rather than generating them.

Don't mix your models.

Nonprofits must understand that the desire to earn income and the desire to use business practices to pursue social change are two different and almost entirely incompatible objectives for a nonprofit organization. Nonprofits that are looking primarily for an independent income stream should follow leaders like the Salvation Army or the Red Cross by choosing a straightforward business that gives the organization a competitive advantage in the marketplace, rather

than attempting to open restaurants run by the homeless or environmentally-friendly dry cleaning stores.

Being business-savvy doesn't have to mean starting a business.

Being entrepreneurial means more than simply looking for opportunities to start a business. Nonprofits can take an important page from the business community by simply devising a good old-fashioned business plan: clarifying core goals, projecting revenues, and developing a sound fiscal plan for future years. In addition, we believe nonprofits should all engage in long-range business planning by ruthlessly assessing ways to improve the delivery of services to clients through a thorough evaluation of HR practices, seeing where technology investments can be made, and exploring ways to streamline operations so that cost-savings can go back into service delivery.

We are not talking about scrambling to make cuts to meet the budget: At this point, both the public and private sector are sharply focused on efficiency, and nonprofits have certainly been forced to find savings in their operations. Instead, as a true tool for nonprofits, this type of long-range business review and planning should be pursued as an opportunity to find creative ways to improve programming and service delivery—not simply to figure out how do more with less.

Lead with your strengths. The point of the entire nonprofit social enterprise movement was to find more efficient and effective ways to deliver better quality services. It makes sense, then, as we revise the original vision, to revisit the strengths that nonprofits bring to the table. It is still true that nonprofits are the

best at identifying unserved needs and opportunities for social programs and services. They also know best how to tailor a service for their particular client base, and can provide the kinds of supports required to make such a project work.

Business brings its own strengths, however, and we strongly suggest nonprofits partner with professional entrepreneurs and established businesses that do not have to learn an industry or build a business from the ground up in order to pursue these types of solutions. For example, one wonders if, freed from the need to make a program like CCA self-sustaining, Seedco might have brokered an arrangement with one of the existing emergency childcare providers in the city, provided some supports to help workers access the service, secured some foundation or government funding, and persuaded employers to subsidize a portion of the cost. This probably would have seemed less revolutionary, but it might have produced better results.

Keep experimenting. It is worth remembering that one impressive side effect of the social enterprise craze is a lot of good, energetic thinking about how to re-think social missions and organizations—mixing experience and strategic vision to tackle critical problems in a new way. The Yale Management School's social enterprise contest fielded a number of zany ideas that would never work, but it also yielded some impressive thinking about how expertise in the nonprofit field could be better applied to vexing issues. Even the CCA program, although flawed, sparked thinking about a critical issue that remains on the table—low-wage workers' need for stable, reliable childcare. We should not abandon that spirit. ♦

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